

FINAL EXAMINATION

June 2025

P-13(CEL)
Syllabus 2022

CORPORATE AND ECONOMIC LAWS

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Wherever necessary in Section B, candidates may make appropriate assumptions and clearly state them in the respective answer.

This paper contains two Sections A and B. Section A is Compulsory and contains Question No. 1 of 30 marks.

Section B contains Question Nos. 2 to 8 each of 14 marks.

Section-A

(Compulsory)

1. Choose the most appropriate option for the following MCQs:

2×15=30

New Horizon Limited (NHL) is a company with paid up capital of INR 50 crore and turnover of INR 340 crore. Mr. Uttam Kumar (UK), who is the promoter and MD of the company, wants to run the company complying with all laws and regulations. The Chairman is non-executive and is an eminent academician; he is not an independent director. There are two more directors, one is Director (Finance), Mr. Verma and the other, Director (Commercial) Mr. Raman Kumar, who is related to the promoter. The company is in the process of taking substantial loan for capital investment from SBI, whereby SBI will nominate a woman director on the Board of Directors (BOD). Based on these facts, UK wants to clarify the following issues from you [MCQs (i) to (iv)]:

- (i) Is the present BOD properly constituted?— Which of the following statements is correct?
- (A) NHL is an unlisted company with four directors, the present Board is properly constituted.
 - (B) NHL is an unlisted company with four directors, which is properly constituted, but since the turnover is more than ₹ 300 crore, a woman director is required, which requirement is met.
 - (C) NHL is an unlisted company with four directors, which is not properly constituted, since the requirement relating to independent director is not met.
 - (D) NHL is an unlisted company with four directors, which is not properly constituted, since the requirements relating to independent director and woman director are not met.

- (ii) Can Mr. Raman Kumar be considered as independent director?
- (A) Yes, since he is related to UK.
 - (B) No, since he is related to UK.
 - (C) Yes, since he is commercial Director.
 - (D) Yes, since he is a whole time/functional Director.
- (iii) Is there any need of woman director?
- (A) Yes, since the turnover is more than ₹ 300 crore.
 - (B) No, since the paid up capital is not more than ₹ 100 crore.
 - (C) Yes, SBI will nominate a director in the Board.
 - (D) Insufficient information to arrive at proper conclusion.
- (iv) What will be the status of the director nominated by SBI? Can she be treated as woman director?
- (A) No, she will be classified as Interested Director.
 - (B) Yes, SBI has right to nominate any woman director in the Board.
 - (C) Yes, a nominee director, if woman, can be regarded as woman director.
 - (D) No, she will be classified only as Nominee Director, and not woman director.
- (v) In case of private limited companies, as per the Companies Act, 2013, the criteria for appointment of internal auditor is.
- 1. turnover ₹ 100 crore or more.
 - 2. turnover ₹ 200 crore or more.
 - 3. outstanding liability from banks or financial institutions ₹ 100 crore.
 - 4. outstanding liability from banks or financial institutions ₹ 200 crore.
- (A) 2 and 3
 - (B) 1 and 3
 - (C) 1 and 4
 - (D) 2 and 4

- (vi) Which of the following will qualify as CSR expenditure?
1. Donation to unrecognized charitable institution.
 2. Contribution to funds under Schedule VII of the Companies Act, 2013.
 3. Expenditure incurred for activates under Schedule VII of the Companies Act, 2013.
 4. Direct implementation of CSR projects by the company.
- (A) 1 and 2
(B) 1, 3 and 4
(C) 2,3 and 4
(D) 1, 2 ,3 and 4
- (vii) The Insolvency and Bankruptcy Code, 2016 is not applicable on
- (A) companies incorporated under the Companies Act, 2013.
(B) Financial Service Providers.
(C) Limited Liability Partnership (LLP).
(D) Partnership Firms and individuals.
- (viii) Under the IBC, a person shall not be eligible to submit a resolution plan, if such person, or any other person acting jointly or in concert with such person
1. is an undischarged insolvent.
 2. at the time of submission of plan, has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, classified as non-performing asset.
 3. is a willful defaulter of the time of submission of resolution plan.
- (A) 1, 2 and 3
(B) 1 and 2
(C) 1 and 3
(D) 2 and 3
- (ix) SEBI has three functions rolled into one body. Which of the following is not the function of SEBI?
- (A) Quasi-legislative
(B) Quasi-judicial
(C) Quasi-executive
(D) Quasi-official

- (x) Unfair competition under the Competition Act, 2002 means adoption of practices viz. —
1. Collusive price fixing
 2. Allocation of markets
 3. Discriminatory pricing
- (A) 1 only
(B) 1,2 and 3
(C) 1 and 2
(D) 2 and 3
- (xi) In the course of doing business if a MSME unit goes to next category,
- (A) it shall cease to avail all the MEME benefits.
(B) it shall continue to avail all non-tax benefits for next 2 years.
(C) it shall continue to avail all non-tax benefits for next 3 years.
(D) it can avail only for the next one Financial year.
- (xii) The ultimate order of winding up of a banking company in India, emerges from the
- (A) order of the RBI.
(B) order of the Central Government.
(C) order of the RBI on request by the members of banking company.
(D) orders of the jurisdictional High Court.
- (xiii) Venus Ltd., an Indian company, has issued equity shares to Mr. K, a resident in Singapore. Under the Indian Law, such shares are
- (A) Indian securities.
(B) foreign securities.
(C) neither Indian securities, nor foreign securities.
(D) Indian or foreign securities.
- (xiv) Which among the following is not a cyber crime under the Information Technology Act, 2000?
- (A) Sending threatening messages by email.
(B) Tampering with computer source documents.
(C) Hacking with computer systems, data alteration.
(D) Publishing obscene information.

(xv) Insurance policy issued by an insurer shall not be questioned after _____ years.

- (A) 2
(B) 3
(C) 4
(D) 5

SECTION B

Answer any five questions from Question No. 2 to Question No. 8.

Each question carries 14 marks.

14×5=70

2. (a) Examine whether investments made or held by a company must be in its own name. Elucidate the exemptions, if any, enshrined in Section 187 of the Companies Act, 2013. 7
- (b) Discuss about the management of affairs of corporate debtors by interim resolution professional under the IBC. 7
3. (a) What is the required quorum for holding a Board meeting, as per the provisions of the Companies Act, 2013? Examine the following cases in this context: 7
- (i) In a Board meeting, only 3 directors were present out of the total of 11 directors. None of the 3 directors was interested in any of the items of the agenda. Examine the validity of meeting.
- (ii) In a meeting of the Board, out of the total of 11 directors, 5 directors were present, of which only 2 directors were not interested in one of the transactions. How should the meeting deal with the matter?
- (b) Corporate governance is important in a family business also. Summarise the key points in evolving corporate governance in family businesses. 7
4. (a) The following is the extract from the Balance Sheet of XYZ Ltd., as on 31-3-2024:

Sl. No.	Particulars	Amount (₹ in lakhs)
(i)	Authorised capital	100
(ii)	Paid-up Capital	40
(iii)	P & L Account balance	22
(iv)	Share Premium Account	10
(v)	Machinery Revaluation Reserve	11
(vi)	Secured loan taken from a nationalised bank (at 11% rate of interest)	35

The yield of Government security may be taken as under:

Tenure	Yield
1 year	6.5%
2 years	6.7%
3 years	6.9%

ABC Ltd., has approached the company for grant of secured loan for ₹ 40 lakhs for a tenure of 40 months. Can this loan be granted by the Board of Directors at the interest rate of 6.5%?

Will your answer be different, if the loan is for ₹ 45 lakhs?

- (b) Explain the obligations of the target company and exemptions conferred under the SEBI Regulations. 7
5. (a) State the responsibilities of an Audit committee constituted in a company. Is any recommendation of such committee binding on the Board of Directors of the company? 7
- (b) (i) Briefly discuss about cyber crimes against persons.
(ii) Explain the manner and effect of takeover of management under Section 15 of the SARFAESI Act, 2002. 7
6. (a) Under the Companies Act, 2013, discuss the obligations in respect of maintenance of registers and records by the companies incorporated in India. Enumerate any ten such registers to be kept and maintained by such companies. 7
- (b) Discuss about the penalty imposable under section 45 of the Indian Competition Act, 2002 for offences in relation to furnishing of information. 7
7. (a) Explain the various exceptions under the Companies Act, 2013 to the Rule enunciated in the case of Foss vs. Harbottle. 7
- (b) (i) Define MSME enterprises, with classification under the MSMED Act, 2006.
(ii) Outline the objectives behind setting up of IRDA in India. 7
8. (a) On 10th May, 2024, Budang Pest GmbH (BPG), a German pesticides company, invested Euro 1.5 million (equivalent INR 14.3 crore) in the equity shares of ABC Pesticides Pvt. Ltd. (ABC), an Indian pesticides manufacturer based in Raipur. The shares were issued on 15th May, 2024 under the automatic route and ABC received the funds directly into its designated FDI bank account.

However, due to an oversight, ABC failed to file the Form FC-GPR with the RBI within the stipulated time. The delay was noticed during their internal audit in August, 2024. By then, more than 60 days had passed since the share allotment.

Further, it was later discovered that ABC had not updated its Entity Master Form on the RBI FIRMS portal since 2022, even though the company had received FDI in the past as well.

Based on the above information, you are required to:

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(I) Explain the compliance requirements under FEMA in relation to

(i) form FC-GPR filing timeline and procedure.

(ii) maintaining and updating the Entity Master on the FIRMS portal.

(II) Discuss the possible consequences of non-compliance in this case and suggest remedial steps that ABC should take as on August, 2024.

(b) What are the key features of the Prevention of Money Laundering Act (PMLA), 2002? Explain any seven points.

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